

Message Text

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ACTION NEA-10

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TO SECSTATE WASHDC 2200
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C O R R E C T E D C O P Y - T E X T (P A R A 2 .)

DEPT ALSO PASS OPIC AND EXIMBANK

E.O. 11652: N/A
TAGS: USTSJC, US
SUBJ: US-TUNISIAN JOINT COMMISSION:
DOUBLE TAXATION TREATY

REF: A. STATE 191177 B. STATE 192758. C. TUNIS 5673

1. JOINT COMMISSION AGENDA PROPOSED IN PARA 5
REFTEL C INCLUDES US-TUNISIAN TAX TREATY. EMBASSY
AGREES WITH REFTEL A THAT DESPITE ADVOCACY HERE BY
INVESTMENT PROMOTION AGENCY--AS MEANS TO FACILITATE
AMERICAN INVESTMENT IN TUNISIA--GOT HAS NOT FOLLOWED
UP PREVIOUS DISCUSSIONS OF SUCH A TREATY.

2. HOWEVER, SUCH FACILITATION OF INVESTMENT WOULD
BE BUT ONE OF EXPECTED MUTUAL BENEFITS OF TREATY.
PERHAPS MORE IMPORTANT WOULD BE FAVORABLE IMPACT
ON U.S. EXPORTS, ESPECIALLY OF SERVICES. AS VISITING
BUSINESSMEN FREQUENTLY POINT OUT, AND AS HIGHLIGHTED
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IN DISCUSSION AT AMBASSADOR'S LATEST INFORMAL MEET-
ING WITH RESIDENT AMERICAN BUSINESS COMMUNITY, THERE
ARE EVERAL CIRCUMSTANCES WHERE THE LACK OF A TREATY
COVERING TAXES ON ROYALTIES, PERSONAL INCOME, ETC,
PUTS U.S. BUSINESSES AT A COMPETITIVE DISADVANTAGE
IN TUNISIA--FOR EXAMPLE IN THE SALE OF TECHNICAL
SERVICES. A U.S. COMPANY RENDERING TECHNICAL ASSIS-

TANCE TO A TUNISIAN FIRM MUST PAY UP TO 28 PERCENT
IN TAXES ON ITS FEE WHEREAS A FRENCH COMPETITOR
WOULD PAY NO MORE THAN 15 PERCENT. TWO IMPORTANT
CONTRACTS WITH U.S. FIRMS WERE RECENTLY HELD UP BECAUSE
OF THESE HIGHER COSTS INVOLVED: (A) TECHNICAL
ASSISTANCE AND LICENSING TO A GLASS MANUFACTURER,
AND (B) ARCHITECTURAL DESIGN SERVICES FOR A LARGE
HOTEL PROJECT.

3. IN SPITE OF PROBLEMS ENCOUNTERED OVER "TAX-
SPARING CREDITS" (THE MAJOR STUMBLING BLOCK IN
PREVIOUS DISCUSSIONS), WE BELIEVE IT IMPORTANT
TO SEE IF AN ACCEPTABLE TREATY CAN BE CONCLUDED,
AND STRONGLY URGE THE INCLUSION OF THIS ITEM ON
THE JOINT COMMISSION AGENDA.
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